## State of Iowa - Return on Investment Program / IT Project Evaluation

## SECTION 1: PROPOSAL

Project Name:  Electronic Benefit Transfer    Date 7/11/00

Agency Point of Contact for Project:  _Edith Pruismann_____

Agency Point of Contact Phone Number / E-mail:  __281-5688 _____

Executive Sponsor (Agency Director or Designee) Signature:  __Deborah Bingaman_____

| | | |
|---|---|---|
| Is this project necessary for compliance with a Federal standard, initiative, or statute? (If "Yes," cite specific requirement, attach copy of requirement, and explain in Proposal Summary) | x Yes | ❏ No |
| Is this project required by State statute? (If "Yes," explain in Proposal Summary) | ❏ Yes | x No |
| Does this project meet a health, safety or security requirement? (If "Yes," explain in Proposal Summary) | x Yes | ❏ No |
| Is this project necessary for compliance with an enterprise technology standard? (If "Yes," explain in Proposal Summary) | ❏ Yes | x No |
| Does this project contribute to meeting a strategic goal of government? (If "Yes," explain in Proposal Summary) | x Yes | ❏ No |
| Is this a "research and development" project? (If "Yes," explain in Proposal Summary) | ❏ Yes | x No |

## PROPOSAL SUMMARY:

1. **Pre-project description:**  The Department of Human Services is responsible for issuing both Family Investment Program (FIP) cash benefits and food stamp benefits to eligible persons.  FIP provides temporary assistance to households to provide for basic needs while the household secures employment and works to stability.  The food stamp program is intended to improve the nutrition of low income persons. The issuance of these benefits is a significant support to the Department's goal to support stable, self-sufficient, healthy and safe families

   Currently the department uses a paper benefit issuance system.  Eligibility for benefits is determined by the worker in the local office and by the Iowa Automated Benefit Calculation System when the worker enters information into the system for eligibility.   When the benefit level is determined the system sets up a benefit issuance file to be processed.  For FIP the file is sent to Revenue and Finance where warrants are produced.   The warrants are returned to the department and are prepared for mailing.  A benefit file is prepared for food stamps also.  The file produces benefit cards which are handled in the vault.  Food stamps are stored in the vault and a food stamp stuffing machine prepares the food stamps for mailing.

Once food stamps have been mailed and are received the department has no further involvement with the food stamps.  Recipients are responsible for the use of the food stamps.

**Post-project description:**  Post EBT implementation both FIP and food stamp benefits will be issued electronically.  Recipients will be issued a magnetic stripe debit card either by the worker or by mail depending on the method selected by the department.  Recipients will access FIP benefits at Point of Sale terminals (POS) or Automated Teller Machines (ATM).  Food stamp benefits will be accessed at POS machines at authorized food stamp retailers.  The POS machines may be retailer owned or government owned for food stamps.  The department will transmit benefits to a vendor who will maintain the accounts for the individual recipients.  The vendor will provide transaction switching and settlement services.  The vendor's will insure that food stamp benefits are only used at authorized food stamp retailers.

2. **A summary of benefits:** The Personal Responsibility and Work Opportunity Act of 1996 (PRWORA  [P.L.1-4-103]) requires that food stamps must be issued by EBT statewide by, October 1, 2002.  Failure to complete statewide EBT implementation subjects the state to federal sanction.  The sanction involves the loss of administrative funds for the operation of the food stamp program.  For the federal fiscal year ending 9/30/99, Iowa's federal participation in administrative costs for the food stamp program was $10,022,961.

   EBT benefit issuance provides a more secure system for the recipient.  The benefits are held safely in the account until the recipient access the food stamps or cash at the retailer location.  Unused benefits can remain in the account like a savings account to be used when needed.  For example many families do not use all the benefits every month, especially during the school year when the children participate in the school lunch program.  However during the summer families utilize more food stamps to make up for the loss of the school lunch.

   EBT eliminates the need to replace lost in the mail food stamps and FIP warrants.  EBT benefits are transmitted to the same account every month and are not affected by changes of addresses when the recipients move.  This prevents delays in the receipt of benefits when they need to be replaced and also reduces the time spend in the local DHS offices tracing and replacing lost in the mail food stamps.

   EBT allows recipients to participate in the same technology (debit card) as the general public.  In addition it eliminates the stigma of using different money (food stamps) because the EBT debit card looks like and works like any other bankcard.

   EBT improves the integrity of the program.  While the introduction EBT has not eliminated the diversion of food stamps to purchase items other than food or exchanging for cash, EBT provides electronic tracking of the transactions.  The record of transactions can be analyzed to identify suspect transactions, the location of the terminal and the cardholder.  This information allows for corrective action to stop the diversion of benefits.  More benefits are actually expended on food because with EBT the exact amount of the purchase is deducted from a benefit amount  to change is returned to the recipient.

3. **A summary of stakeholders:**  The stakeholders for Electronic Benefit Transfer are:  Authorized food stamp retailers, the banking industry, networks providing electronic switching and settling of transactions, and the United States postal service.

   Authorized food stamp retailers need to have access to point of sale equipment to continue to participate in the food stamp program.  Federal regulations require the government to provide equipment if the retailer chooses not to provide equipment.  All authorized food stamp retailers must be given an opportunity to participate in the food stamp program.  The commercial equipment can be programmed to be compatible with food stamps.  EBT eliminates the bookkeeping connected to the paper coupons.  A big advantage is the elimination of cash back

for transactions not in even dollars.  With EBT the system accepts the exact amount of the transaction.  This feature also increases the amount of benefits actually spent on food.

With the elimination of food stamps, the banks no longer have the costs associated with processing food stamps through the Federal Reserve System.  In the EBT system the vendor will access the food stamp account at the Federal Reserve in Virginia through the ACH system to provide settlement with all the retailers banks.  In addition EBT becomes a source of income for banks because of the transaction fees that accrue to the banks.

Networks provide the transaction routing and switching functions.  EBT increases the volume of transactions completed.  All transactions have a fee attached to the type of service.

Mail carriers have long supported EBT to eliminate the problems with delayed benefits, lost and stolen mail, address changes, and getting signatures for the certified mail deliveries.  Also EBT eliminates internal food stamp theft in the post offices.

## SECTION 2: PROJECT PLAN

### 1. Agency Information

**Project Executive Sponser:** See Section 1

**Organization Skills:**

Electronic Benefit Transfer is a proven technology for the issuance of FIP food stamp benefits. Thirty-eight states have statewide EBT systems for issuing food stamps. Iowa is required to issue food stamp benefits through EBT by October 1, 2002. The department has the capability to determine eligibility and benefit level for benefits. The department does not have the capacity to establish accounts and do account maintenance and processing and switching transactions. To secure the skills necessary DHS intends secure these services through a qualified Electronic Funds Transfer vendor.

DHS has operated a pilot EBT project in Linn County since July 1989 for FIP benefits and added food stamps in June 1993. DHS has a card issuance system which the vendor can propose to use. DHS will provide the staff to program the interface between the benefit system and the vendor's system.

The department has an Electronic Benefit Transfer Coordinator in the Division of Economic Assistance. This position is responsible for preparing the RFP so that each component of the system: Data Management, Financial Settlement, Training for department staff, retailers and recipients is complete in the RFP

### 2. Project Information

## The project plan is as follows:

DHS will release an RFP requesting EBT services by August 15, 2000. Because the system requested is extensive the RFP will be out for 90 days. A contractor is expected to be selected by January 1, 2001. The Contractor will be expected to issue all food stamp benefits and FIP if the FIP participant chooses this benefit issuance by March 2002.

**Mission, Goals, Objectives:**

**Expectations**: Paper benefit issuance for food stamps will be eliminated. FIP participants will have the option of EBT, direct deposit or a warrant. The system will have the capacity for enhancements. After the completion of the food stamp and FIP portion other uses of the card will be added.

### A. **Measures**:

The project will be complete by October 1, 2002. The system will totally replace the paper issuance system for food stamps.

B. **Environment:**

Iowa has an excellent basis for EBT because its banking laws supported Electronic Funds Transfer. The EFT infrastructure is available for this project. Multiple applications such as payments to child care providers and Medicaid eligibility are planned to be added to the card. WIC Women Infants and Children program offered by the Department of Health could be added.

C. **Project Management and Risk Mitigation**: The contractor will bid on a case month basis and will have to provide the services for that amount. The contract stipulates the liabilities for the contractor.

D. **Security / Data Integrity / Data Accuracy / Information Privacy**:

The entire system must pass an acceptance test by the federal government. Federal security requirements will be part of the contract. These are specified in the RFP. Each of these requirements must pass the acceptance test. The project can not proceed until all these items are acceptable.

## 3.     Current Technology Environment (Describe the following):

### A. Software (Client Side / Server Side / Midrange / Mainframe)

- Application software
- Operating system software
- Interfaces to other systems: Identify important or major interfaces to internal and external systems

> **Mainframe –**
> IBM Products including, but not limited to: TSO, CICS, PanValet, etc.
> CA Products including, but not limited to: IDMS, Culprit, etc.
> SyncSort
> VSAM
> COBOL

### B. Hardware (Client Side / Server Side / Mid-range / Mainframe):

- Platform, operating system, storage and physical environmental requirements.
- Connectivity and Bandwidth:   If applicable, describe logical and physical connectivity.
- Interfaces to other systems: Identify important or major interfaces to internal and external systems.

> **Mainframe Environment**
> IDM 9672R45
> OS390
> JES3

## 4. Proposed Environment (Describe the following):

A. Software (Client Side / Server side / Mid-range / Mainframe)

- Application software.
- Operating system software.
- Interfaces to other systems: Identify important or major interfaces to internal and external systems.
- General parameters if specific parameters are unknown or to be determined.

   **Same as stated in Section 3 for mainframe & we will need the response from the RFP for the balance required.**

B. Hardware (Client Side / Server Side / Mid-range / Mainframe)

- Platform, operating system, storage and physical environmental requirements.
- Connectivity and Bandwidth: If applicable, describe logical and physical connectivity.
- Interfaces to other systems: Identify important or major interfaces to internal and external systems.
- General parameters if specific parameters are unknown or to be determined.

   **Same as stated in Section 3 for mainframe & we will need the response from the RFP for the balance required.**

**Data Elements:** If the project creates a new database the project plan should include the specific software involved and a general description of the data elements.

   **There are no new data bases.**

**Project Schedule:** A schedule that includes: time lines, resources, tasks, checkpoints, deliverables and responsible parties.

   **Same as stated in Section 2.**

# SECTION 3:  Return On Investment (ROI) Financial Analysis

## Project Budget:

Provide the estimated project cost by expense category.

Personnel ............................ $_____
Software ............................. $_____
Hardware ............................ $_____
Training .............................. $_____
Facilities ............................. $_____
Professional Services ........... $ 879,998_____
Supplies .............................. $_____
Other (Specify)…….…………$_____
    Total ................. $_____

## Project Funding:

Provide the estimated project cost by funding source.

State Funds ........................... $__348,179_____ ..........____40___ % of total cost
Federal Funds ....................... $__348,179_____ ..........____40___ % of total cost
Local Gov. Funds ................... $_____ ........._____ % of total cost
Private Funds ........................ $_____ ........._____ % of total cost
Other Funds (TANF) ............. $__183,640_____ ..........____20___ % of total cost
  Total Cost: ............... $__879,998___-..........___100___ % of total cost

How much of the cost would be incurred by your agency
from normal operating budgets (staff, equipment, etc.)?  ........................$_____0_____
__0___%

How much of the cost would be paid by "requested IT project funding"? ..$___348,179___ __40__%

Provide the estimated project cost by fiscal year:  FY__2001__  $____348,179_____

**Each subsequent Fiscal Year will require funding to support the external operation of this process ($1,520,944 x 40% State share).  The Fiscal Year 2002 may require additional funds to initiate the EBT process by October 2002.**

## ROI Financial Worksheet Directions (Attach Written Detail as Requested):

**Annual Pre-Project Cost** -- Quantify, in written detail, all actual State government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation.  This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

> **N/A**

**Annual Post-Project Cost** -- Quantify, in written detail, all estimated State government direct and indirect costs associated with activity, system or process after project implementation.  This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

> **N/A**

**State Government Benefit** -- Subtract the total "Annual Post-Project Cost" from the total "Annual Pre-Project Cost."  This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

> **N/A**

**Citizen Benefit** -- Quantify, in written detail, the estimated annual value of the project to Iowa citizens**.**  This includes the "hard cost" value of avoiding expenses (hidden taxes) related to conducting business with State government.  These expenses may be of a personal or business nature.  They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses.

> **Citizen benefit, although present, is not quantifiable**

**Opportunity Value/Risk or Loss Avoidance Benefit** -- Quantify, in written detail, the estimated annual benefit to Iowa citizens or to State government.  This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

> **See Section 1 – Proposal Summary – Project Benefits**

**Total Annual Project Benefit** -- Add the values of all annual benefit categories.

> **See ROI Financial Worksheet**

**Total Annual Project Cost** -- Quantify, in written detail, the estimated annual new cost necessary to implement and maintain the project including consulting fees, equipment retirement, ongoing expenses (i.e. labor, etc.), other technology (hardware, software and development), and any other specifically identifiable project related expense.  In general, to calculate the annual hardware cost, divide the hardware and associated costs by three (3), the useful life.  In general, to calculate the annual software cost, divide the software and associated costs by four (4), the useful life. This may require assigning consulting fees to hardware cost or to software cost.  A different useful life may be used if it can be documented.

**See Section 3 – Project Budget**

**Benefit / Cost Ratio** – Divide the "Total Annual Project Benefit" by the "Total Annual Project Cost." If the resulting figure is greater than one (1.00), then the annual project benefits exceed the annual project cost. If the resulting figure is less than one (1.00), then the annual project benefits are less than the annual project cost.

**See ROI Financial Worksheet**

**ROI** -- Subtract the "Total Annual Project Cost" from the "Total Annual Project Benefit" and divide by the amount of the project funds requested.

**See ROI Financial Worksheet**

**Benefits Not Cost Related or Quantifiable** -- List the project benefits and articulate, in written detail, why they (IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.) are not cost related or quantifiable. Rate the importance of these benefits on a "1 – 10" basis, with "10" being of highest importance. Check the "Benefits Not Cost Related or Quantifiable" box in the applicable row.

**See Section 1 – Proposal Summary – Project Benefits – All are level 10.**

## ROI Financial Worksheet

| Annual Pre-Project Cost - How You Perform The Function(s) Now | |
|---|---|
| FTE Cost (salary plus benefits): | |
| Support Cost (i.e. office supplies, telephone, pagers, travel, etc.): | |
| Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.): | |
| **A. Total Annual Pre-Project Cost:** | **N/A** |
| **Annual Post-Project Cost – How You Propose to Perform the Function(s)** | |
| FTE Cost: | |
| Support Cost (i.e. office supplies, telephone, pagers, travel, etc.): | |
| Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.): | |
| **B. Total Annual Post-Project Cost:** | **N/A** |
| **State Government Benefit ( = A-B ):** | **N/A** |
| **Annual Benefit Summary** | |
| State Government Benefit: | |
| Citizen Benefit (including quantifiable "hidden taxes"): | |
| Opportunity Value and Risk/Loss Avoidance Benefit: | **$10,554,780**\*\* |
| **C. Total Annual Project Benefit:** | **$10,554,789**\*\* |
| **D. Total Annual Project Cost:** | **$348,179** |
| **Benefit / Cost Ratio (C / D):** | <u>30.31</u> |
| **ROI (C – D / Project Funds Requested):** | <u> 2926.29 </u> % |
| **x Benefits Not Cost Related or Quantifiable (including non-quantifiable "hidden taxes")** | |

\*\* Cost Avoidance of Food Stamp Loss of $10,022,961 & Federal Matching Funds of $348,179 & TANF Funds of $183,640 equals a Total of $10,554,780.